

No. VP161106

11 November 2016

Subject: Explanation of operating result for the third quarter of 2016

To: President of the Stock Exchange of Thailand

ALT Telecom Public Company Limited (the "Company") would like to provide explanation of operating result for the 3-month period ended 30 September 2016, detail as follows;

Million THB						
Income statement	Q3/2016		Q3/2015		Increase (Decrease)	
Revenues from sales and services	265.60	100.00%	391.18	100.00%	(125.58)	-32.10%
Cost of goods sold and services	(180.99)	-68.14%	(306.36)	-78.32%	(125.37)	-40.92%
Gross profit	84.61	31.86%	84.81	21.68%	(0.20)	-0.24%
Other income	7.24	2.73%	7.37	1.88%	(0.12)	-1.68%
Selling & admin expenses	(60.70)	-22.85%	(74.62)	-19.08%	(13.92)	-18.65%
Gain (loss) from exchange rate	2.06	0.78%	-	-	2.06	-
Share or profit (loss) or investments in associate and joint venture	23.28	8.76%	(26.87)	-6.87%	50.15	186.62%
Finance cost	(8.86)	-3.33%	(10.19)	-2.60%	(1.33)	-13.05%
Profit before income tax	47.64	17.94%	(19.50)	-4.98%	67.13	344.34%
Income tax (expense) revenue	(5.37)	-2.02%	(2.03)	-0.52%	3.34	164.68%
Profit for the period	42.27	15.91%	(21.52)	-5.50%	63.79	296.37%

1) Revenues and gross profit

As a result of revised investment plans of the Company's major customers - the telecom operators, the revenues of the Company in Q3/2016 decreased from the same period of last year by 32.10% or from 391.18 million THB in Q3/2015 to 265.60 million THB in Q3/2016. The consequence of project cost control, gross margin decreased only 0.20 million THB or 0.24% from 84.81 million in THB in Q3/2015 to 84.61 million THB in Q3/2016. The ratio of gross profit margin increased from 21.68% in Q3/2015 to 31.86% in Q3/2016.

Revenues contribution between Services to Sales changed from 65.60%:34.40% in Q3/2015 to 42.14%:57.86% in Q3/2016.

The detail of changes by business units are as follows;

Services Business

Services revenue was comprised of construction service for base stations construction, fiber optic network installation and repair of telecom equipment.

As a result of revised investment plans of telecom operators, revenues from service business in Q3/2016 decreased by 144.69 million THB or 56.69% from 256.60 million THB in Q3/2015 to 111.92 million THB in Q3/2016. But gross profit decreased only 3.11 million THB or 4.42% from 70.35 million THB in Q3/2015 to 67.24 million THB in Q3/2016. The ratio of gross profit margin of services business increased from 27.41% in Q3/2015 to 60.08% in Q3/2016

Sales Business

Sales revenue was comprised of the sale of telecom product such as fiber optic cable, telecom shelter and Rapid Deployment Unit (RDU), antenna, and other telecom equipment. Local sales are major portion income.

For Q3/2016, the Company had sales revenue about 153.69 million THB, it increased by 19.11 million THB or 14.20% compared to the same period of last year at 134.58 million THB.

Gross profit increased by 5.71 million THB or 27.01% from 21.14 million THB in Q3/2015 to 26.85 million THB in Q3/2016 and gross profit margin increased from 15.71% in Q3/2015 to 17.47% in Q3/2016.

Recurring Income Business from Telecom Infrastructure Leasing

As at end of Q3/2016, the Companies have 5 projects of investments in telecom infrastructure, 2 projects operated and owned by ALT another 3 projects operated and owned by a joint venture company, which started to realize income since Q4/2015. The Company recognized profit (loss) from investment as 71% of shareholding in consolidated income statement in the line of "Share of profit (loss) of investment in joint venture", in Q3/2016 the Company recognized to share the profit amounting to 23.92 million THB.

There are 2 projects, which operated by ALT comprised of

1) Hemaraj Industrial Estate Project

- The project was stopped to recognized income since beginning of 2013 due to default of payment by a customer. However, the Company had claimed from an insurance company amounting to 90% of such default amount according to the risk insurance policy. The rest of damages and opportunity loss were in proceeding of prosecution.
- On 30 September 2016, The Administrative Court has sentenced the Contract Party to pay the Company for loss of use in FTTF asset in the rate of 13.50 million THB per month, starting from 12 February 2013 (the date following the Target Asset Return Date) until such asset will be returned back to the Company. Right now, the Contract Party has appealed to The Administrative Court. The case still has not been finalized yet, therefore, there are no material change to the financial status or operating results of the Company.

- 2) A New project of fiber optic cable on telegram poles along with the railway was still under construction and expected to start realize income by the beginning of next year.

2) Selling and admin expenses

Selling and admin expenses for the Q3/2015 and Q3/2016 were 74.62 million THB and 60.70 million THB or 19.08% and 22.85% on sales and services revenues respectively.

3) Finance Cost

Finance cost of Q3/2016 was 8.86 million THB, which decreased from same period of last year by 1.33 million THB according to the lower outstanding debt balance and interest rate after the Company listed in SET.

4) Net profit

Although revenue of the Company was decreased, which was caused by the revised investment plans of major customers - the telecom operators. This risk factor was foreseen by the Company and the Company has already changed business model in order to mitigate this circumstance in advance. The principle strategy of the company is focusing on increasing the portion of revenue/ net profit from Recurring Income Business by investing in telecom infrastructure for lease. They may be direct invested by the Company or invested via the associate or joint venture.

Profit Structure	Million THB					
	Q3/2016		Q3/2015		Change%	
Sales & Services Business	28.47	67%	12.02	56%	16.45	137%
Recurring Income Business	19.54	46%	(27.80)	-129%	47.34	170%
Project in court case	(5.74)	-14%	(5.74)	-27%	0.00	0%
Total Net Profit	42.27	100%	(21.52)	-100%	63.79	296%

Net profit of the Company in Q3/2016 was about 42.27 million THB compared to net loss in Q3/2015 amounting to 21.52 million THB, it increased by 63.79 million THB or 296%. Net profit from Sales and Services Business increased by 16.45 million THB or increased by THB or 137%, and net profit of Recurring Income Business increased by 47.34 million THB or 170%. While the project in court case, had no revenue recognized, but still incurred depreciation resulted in net loss about 5.74 million THB per quarter. This incurred loss will be ceased, once the case was finalized.

Profit Structure	Million THB					
	9M/2016		9M/2015		Change%	
Sales & Services Business	167.26	94%	178.14	134%	(10.88)	-6%
Recurring Income Business	27.09	15%	(27.59)	-21%	54.68	198%
Project in court case	(17.23)	-10%	(17.23)	-13%	0.00	0%
Total Net Profit	177.12	100%	133.33	100%	43.79	33%

For 9 months of 2016, the Company had net profit about 177.12 million THB increased 43.79 million THB or 33% compared to 9 months of 2015. Net profit contributed by Sales and Services Business amounting to 167.26 million THB which declined by 10.88 million THB or 6% from 9 months of 2015. Net profit contributed by Recurring Income Business was about 27.09 million THB compared to net loss in 9 months of 2015 amounting to 27.59 million THB or it increased about 54.68 million THB of 198%

For your information.

Respectfully Yours,

Mr. Pyut Bhuwakulwong
Vice President Corporate Administration Division